



## ACCESS ENGINEERING PLC [AEL.N0000]

FAIR VALUE: FY22E - LKR 30.0 [ +20%]

### MAINTAIN BUY

FAIR VALUE: FY23E - LKR 32.0 [ +28%]

#### Key Investment Considerations

- Access Engineering PLC (AEL); a premier civil engineering and construction company in Sri Lanka which provide engineering solutions to both public sector and private sector projects. AEL's operations unfold over a whole spectrum of segments in the industry including construction, construction related materials, property, as well as automobile.
- AEL has posted a massive surge in profits during 1QFY22 recording an increase of 591.2%YoY to LKR 528.1Mn as opposed to LKR 76.4Mn recorded in 1QFY21, which is the quarter mostly hit by the Covid-19 pandemic. Improvement in profitability was mostly derived from the increase in revenue by 93.7%YoY along with the spike in GP margin by 227bps to 15.5% which hinted a strong rebound of business operations backed by the gradual economic recovery.

#### Future Outlook for AEL

- The revival of economic activities may urge the need for accelerated infrastructure development and building construction in the country thereby unrolling immense opportunities for AEL to exploit. AEL has already commenced the construction of the Kohuwala flyover project; a 297m long carriageway that consists of two lanes, and the Gatembe flyover project; a 432m long carriageway with a single lane.
- AEL currently possesses a healthy order book of LKR 50.9Bn and the company's strategy is to maintain an optimal order book to the size of two years revenue and thereby ensuring the stability to weather any unfavourable economic conditions. Accordingly, segmental revenue from roads and highways is expected to boost via the Central Expressway project, rehabilitation & improvement project of Colombo-Kandy Road, i-Road project and etc.
- Further, AEL's flagship projects 'Marina Square' which is a mixed development five-towered project in North Colombo with 1,088 units and 150,000 square feet, and 'Capital Heights - Rajagiriya' which is a real estate project consist of 242 apartments, are also expected to position itself well within the condominium business segment.
- AEL also focuses on improving the construction materials segment amidst the increase in demand for asphalt. AEL's investment in Lanka AAC (Pvt) Ltd, a company engaged in autoclaved aerated concrete (AAC) blocks, and the establishment of the largest asphalt manufacturing plant in Mathugama which holds a capacity of over 160MT/hour are spotted among key milestones pertaining to this segment.

- We estimate the TP for FY22E at LKR 30.0 while FY23E TP is at LKR 32.0.

#### MAINTAIN BUY

P/E 31 March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Estimates (LKR 'Mn)</b>							
Revenue	26,056	32,278	24,027	23,837	28,013	33,866	40,961
Gross profit	4,061	5,185	3,808	4,138	5,042	5,927	7,373
EBIT	4,623	3,780	2,333	2,979	3,683	4,431	5,834
<b>Net Profit</b>	<b>2,507</b>	<b>2,150</b>	<b>979</b>	<b>2,386</b>	<b>2,610</b>	<b>3,205</b>	<b>4,354</b>
Adjusted EPS (LKR)	2.5	2.2	1.0	2.4	2.6	3.2	4.4
YoY Growth (%)	-7%	-14%	-54%	144%	9%	23%	36%
<b>Valuations</b>							
PER (x)	10.1x	11.8x	25.8x	10.6x	9.7x	7.9x	5.8x
PBV (x)	1.3x	1.2x	1.2x	1.1x	1.0x	0.9x	0.8x
Dividend Yield (%)	4.7%	2.0%	2.0%	4.0%	4.1%	5.1%	6.9%

	1QFY21	1QFY22	YoY	FY20	FY21	YoY
<b>Earnings (LKR 'Mn)</b>						
Revenue	3,645	7,060	+94%	24,027	23,837	-1%
Gross Profit	482	1,093	+127%	3,808	4,138	+9%
Operating Profit	190	768	+305%	2,333	2,979	+28%
PBT	(6)	614	-9650%	1,747	2,407	+38%
Net Profit	76	528	+591%	979	2,386	+144%
<b>Balance Sheet (LKR 'Mn)</b>						
Shareholder's Equity	21,906	23,852	+9%	21,834	23,825	+9%
Borrowings	10,815	12,353	+14%	11,631	9,434	-19%
NAVPS	22	24	+9%	22	24	+9%

Quarterly	Sep-20	Dec-20	Mar-21	Jun-21	QoQ
<b>Earnings (LKR 'Mn)</b>					
Revenue	6,420	6,098	7,589	7,060	-7%
Gross Profit	1,075	1,240	1,384	1,093	-21%
Operating Profit	757	909	1,082	768	-29%
PBT	611	785	956	614	-36%
<b>Net Profit</b>	<b>529</b>	<b>677</b>	<b>891</b>	<b>528</b>	<b>-41%</b>

Segmental (LKR 'Mn)	FY20	FY21	YoY	FY20	FY21	YoY
<b>Revenue</b>						
Construction	16,662	17,300	4%	1,912	1,829	-4%
Construction Material	4,715	7,643	62%	97	612	-530%
Property	900	742	-18%	289	645	-124%
Automobile	4,196	3,882	-7%	(80)	(13)	-84%
	<b>26,473</b>	<b>29,567</b>		<b>2,218</b>	<b>3,073</b>	

#### KEY DATA

CSE Ticker	AEL.N0000
Bloomberg Ticker	AEL SL
Share Price (LKR)	25.3
52w High (LKR)	31.5
52w Low (LKR)	21.4
Avg. Daily Volume (Shares)	1,318,558
Issued Share Capital (Shares 'Mn)	1000.0
Market Cap (LKR 'Mn)	25,300
Market Cap (USD 'Mn)	125
*1 USD = LKR 202	

Price Performance (%)	1 mth	3 mth	12 mth
AEL	10%	11%	7%
ASPI	10%	31%	75%

#### AEL vs ASI



#### Top 5 Shareholders as at 30th June 2020

Mr. S J S Perera	25.00%
Mr. J C Joshua	10.10%
Mrs. R M N Joshua	7.00%
Mr. S J S Perera	5.08%
Mrs. D R S Malalasekera	4.50%



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### About us

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